



MAMUSA LOCAL MUNICIPALITY

“NW 393”



MAMUSA LOCAL MUNICIPALITY

DRAFT MTREF BUDGET 2014/15 – 2016/17

1. EXECUTIVE SUMMARY

Table A: Consolidated overview of the Draft MTREF 2014/15

R Thousands	Budget Year 2014/15	Budget Year 2015/16	Budget Year 2016/17
Total Operating Revenue	R 150 275	R 149 337	R 155 670
Total Operating Expenditure	R 173 327	R 176 613	R 185 359
Surplus/(Deficit)	R (8 061)	R (11 863)	R (13 774)
Total Capital expenditure	R 14 991	R 15 413	R 15 916

Total operating revenue has decreased by 0.6 per cent or R 938 000 thousand for the 2015/16 financial year when compared to the 2014/15 financial year. For 2016/17 financial year, operational revenue will increase by 4 per cent or R 6 333 million when compared to 2015/16 financial year.

Total operating expenditure for the 2014/15 financial year has been appropriated at R 173 327 million and translates into a budgeted deficit of R8 061 million. When comparing the 2014/15 to 2015/16 operational expenditure has grown by 1.8 per cent of the MTREF and for 2015/16 to 2016/17 operational expenditure has grown by 5 per cent. The operating deficit for the two outer years steadily increases to R 11 863 million and R 13 774 million. Council must note that the debt impairment and depreciation are non-cash items. When you subtract debt impairment and depreciation from the operating expenditure it shows a surplus of R 13 567 million.

Total Operating Expenditure	R 173 327 m
Less Debt Impairment	(R 32 444 m)
Less Depreciation	(R 900 k)
Total Expenditure	R 139 983 m
Total Operating Revenue	R 150 275 m
Less Expenditure	(R 139 983 m)
Surplus	R 10 292 m

2. OPERATING REVENUE FRAMEWORK

Mamusa Local Municipality strives to improve the quality of services provided to its community, but in order to achieve that, it needs to generate the required revenue. In these tough economic times strong revenue management is vital to the financial sustainability of the municipality. The reality is that we are faced with development backlogs, poverty and high rate of unemployment. The expenditure required to address these challenges will certainly exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues. The municipality is awaiting a final draft and applications from respective community members and associations as per the municipality's MPR By-law to determine the revenue forgone.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 65 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of at least average cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

TABLE B: SUMMARY OF REVENUE CLASSIFIED BY MAIN REVENUE SOURCE

NW393 Mamusa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Revenue By Source											
Property rates	2	5 744	6 201	7 127	4 833	4 833	–	–	11 032	11 627	12 255
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	14 811	18 531	21 241	30 010	30 010	–	–	32 420	34 170	36 016
Service charges - water revenue	2	7 805	10 889	12 140	7 745	7 745	–	–	12 868	13 563	14 295
Service charges - sanitation revenue	2	6 548	7 996	8 848	6 803	6 803	–	–	9 326	9 830	10 361
Service charges - refuse revenue	2	4 410	4 904	5 251	5 374	5 374	–	–	5 805	6 119	6 449
Service charges - other		–	–	–	129	129	129		137	144	152
Rental of facilities and equipment		385	383	–	527	527	277		3 097	3 264	3 440
Interest earned - external investments		7 266	9 557	12 886	179	179	221		604	637	671
Interest earned - outstanding debtors		–	–	12 314	7 344	7 344	1 511		8 644	9 111	9 603
Dividends received		–	–	–	–	–	–		–	–	–
Fines		8	–	13	781	781	781		824	869	916
Licences and permits		2 225	2 559	2 361	530	1 012	1 047		1 117	1 178	1 241
Agency services		41	–	72	1 070	1 070	1 249		2 000	2 108	2 222
Transfers recognised - operational		36 184	37 327	52 527	68 741	68 741	68 741		52 282	46 053	46 808
Other revenue	2	1 102	131	3 905	351	3 865	3 920	–	10 118	10 664	11 240
Gains on disposal of PPE		–	–	–	–	–	–				
Total Revenue (excluding capital transfers and contributions)		86 527	98 477	138 685	134 416	138 413	77 876	–	150 275	149 337	155 670

Table C: Operating Transfers and Grants

Operating transfers and grants total R 48 444 million for the financial year 2013/14 which is inclusive of the District grants and for the financial year 2014/15 these grants and transfers amount to R 52 282 million which includes FBS Grant from the District. MIG allocation for the financial year 2013/14 was R 15 892 million and has been decreased to R 14 991 million for 2014/15. Our MIG has decreased by 6 per cent. The grant received from the district for Free Basic Services is R 11 000m. The table below gives a breakdown of the various operating grants and subsidies allocated to the municipality as per DORA over the medium term. Before the final adoption of the MTREF budget 2014/15 it will be inclusive of the grants from district

NW393 Mamusa - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		26 130	30 786	6 494	38 644	38 644	–	41 282	46 053	47 176
Local Government Equitable Share		24 380	28 210	3 194	34 309	34 309		37 162	43 136	43 690
Municipal Systems Improvement		750	790	800	890	890		934	967	1 386
Finance Management		1 000	1 250	1 500	1 650	1 650		1 800	1 950	2 100
EPWP Incentive		–	536	1 000	1 000	1 000		1 386		
Other transfers/grants [PMU 5% MIG]					795	795				
Provincial Government:		500	500	–	–	–	–	–	–	–
Provincial Library Grant		500	500							
District Municipality:		–	–	–	9 800	9 800	–	11 000	–	–
EPWP Incentive					1 500	1 500				
Other Transfers/Grants (Indigent)					8 300	8 300		11 000		
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total Operating Transfers and Grants	5	26 630	31 286	6 494	48 444	48 444	–	52 282	46 053	47 176
Capital Transfers and Grants										
National Government:		11 473	13 800	16 739	15 892	15 892	–	14 991	15 413	15 916
Municipal Infrastructure Grant		11 473	13 800	16 739	15 892	15 892		14 991	15 413	15 916
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
EPWP Incentive										
Other grant providers:		–	4 041	7 000	–	–	–	–	–	–
Eskom Grant			41							
Rural Infrastructure Grant			4 000	7 000						
Total Capital Transfers and Grants	5	11 473	17 841	23 739	15 892	15 892	–	14 991	15 413	15 916
TOTAL RECEIPTS OF TRANSFERS & GRANTS		38 103	49 127	30 233	64 336	64 336	–	67 273	61 466	63 092

PROPERTY RATES

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The municipality is awaiting a final draft and applications from respective community members and associations as per the municipality's MPR By-law to determine the revenue forgone.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer for such a grant.

2	PROPERTY RATES [9/5]	2012/2013	2013/14	2014/15
2.1	That in terms of section 46(1) of the Municipal Property Rates Act of 2004 property rates will be levied on the market value of the taxable properties listed in the valuation roll of Mamusa Local Municipality, for the year 1 July 2014 to 30 June 2015 at the following tariffs;			
	Residential/ Household	0.006079	0.006443	0.0068
	Residential Vacant	0.097830	0.103700	0.1093
	Business	0.018300	0.019397	0.0204
	Industrial	0.002340	0.002481	0.0026
	Government Sector	0.013958	0.014795	0.0156
	Other	0.013958	0.014795	0.0156
	Non urban land	0.001520	0.001611	0.0017
	Agricultural	0.001668	0.001768	0.0019
	Business and industrial use non-urban land	0.007413	0.007858	0.0083

TARIFF DETERMINATION

IPLELENG

- **Basic Sewerage Ipelegeng**

Number of households as per Draft Valuation Roll =7789

Tariff in a Rand amount = R 52.51

Calculation

$7789 \times R\ 52.51 = R\ 409\ 000.39$

- **Basic Water Ipelegeng**

Number of households as per Draft Valuation Roll =7789

Tariff increase in a Rand amount = R 27.93

Calculation

$7789 \times R\ 27.93 = R\ 217\ 546.77$

- **Basic Refuse Ipelegeng**

Number of households as per Draft Valuation Roll = 7789

Tariff increase in Rand amount = R 50.28

Calculation

$7789 \times R\ 50.28 = R\ 391\ 630.92$

- **Basic Electricity Ipelegeng**

Number of households as per Draft Valuation Roll = 7789

Tariff increase in a Rand amount = R 11.08

Calculation

$7789 \times R\ 11.08 = R\ 86\ 302.12$

AMALIA

- **Basic Water Amalia**

Number of households as per Draft Valuation Roll = 1131

Tariffs increase in a Rand amount R 27.93

Calculation

$1131 \times R\ 27.93 = R\ 31\ 588.83$

- **Basic Electricity Amalia**

Number of households as per Draft Valuation Roll = 1131

Tariff increase in a Rand amount = R 11.08

Calculation

$1131 \times R\ 11.08 = R\ 12\ 531.48$

- **Basic Refuse Amalia**

Number of households as per Draft Valuation Roll = 1131

Tariff increase in Rand amount = R 32.89

Calculation

$1131 \times R\ 32.89 = R\ 37\ 189.59$

MOLATSWANENG

- **Basic Water Molatswaneng**

Number of household as per Draft Valuation Roll = 324

Tariff increase in a Rand amount = R 27.93

Calculation

$324 \times R\ 27.93 = R\ 9\ 049.32$

- **Basic Electricity Molatswaneng**

Number of households as per Draft Valuation Roll = 324

Tariff increase in a Rand amount = R 11.08

Calculation

$324 \times R\ 11.08 = R\ 3\ 589.92$

- **Basic Refuse Molatswaneng**

Number of households as per Draft Valuation Roll = 324

Tariff increase in Rand amount = R 32.87

Calculation

$324 \times R\ 32.87 = R\ 10\ 656.36$

MIGDOL AND GLAUDINA

- **Basic Water Migdol**

Number of household as per Draft Valuation Roll = 540

Tariff increase in Rand amount = R 27.93

Calculation

$540 \times R\ 27.93 = R\ 15\ 082.20$

- **Basic Water Glaudina**

Number of households as per Draft Valuation Roll = 448

Tariff increase in Rand amount = R 27.93

Calculation

$448 \times R\ 27.93 = R\ 12\ 512.64$

- **Basic Refuse Glaudina**

Number of households as per Draft Valuation Roll = 448

Tariff increase in Rand amount R 32.89

Calculation

$448 \times R\ 32.89 = R\ 14\ 734.72$

- **Basic Refuse Migdol**

Number of households as per Draft Valuation Roll = 540

Tariff increase in Rand amount = R 32.89

Calculation

$540 \times R\ 32.89 = R\ 17\ 760.60$

SCHWEIZER-RENEKE

- **Basic Water Schweizer-Reneke**

Number of households as per Draft Valuation Roll = 1029

Tariff increase in Rand amount = R 43.57

Calculation

$1029 \times R\ 43.57 = R\ 44\ 833.53$

- **Basic Electricity Schweizer-Reneke**

Number of households as per Draft Valuation Roll = 1029

Tariff increase in Rand amount = R 119.78

Calculation

$1029 \times R\ 119.78 = R\ 123\ 253.62$

- **Basic Sewerage Schweizer-Reneke**

Number of households as per Draft Valuation Roll =1029

Tariff increase in Rand amount = R 52.51

Calculation

$1029 \times R\ 52.51 = R\ 54\ 032.79$

- **Basic Refuse Schweizer- Reneke**

Number of households as per Draft Valuation Roll= 1029

Tariff increase in Rand = R 61.45

Calculation

$1029 \times R\ 61.45 = R\ 63\ 232.05$

- **Schweizer- Reneke (Businesses)-Basic Refuse**

Number of businesses as per Draft Valuation Roll =156

Tariff increase in Rand amount = R 86.03

Calculation

$156 \times R\ 86.03 = R\ 13\ 420.68$

- **Ipelegeng (Businesses)-Basic Refuse**

Number of businesses as per Draft Valuation Roll = 78

Tariff increase in Rand amount = R 87.14

Calculation

$78 \times R\ 87.14 = R\ 6\ 796.92$

- **Amalia (Businesses)- Basic Refuse**

Number of businesses as per Draft Valuation Roll = 13

Tariff increase in Rand amount = R 32.89

Calculation

$13 \times R\ 32.89 = R\ 427.57$

- **Molatswaneng (businesses)- Basic Refuse**

Number of businesses as per Draft Valuation Roll

Tariff increase in Rand amount R 32.89

Calculation

$3 \times R\ 32.89 = R\ 98.67$

- **Migdol (Businesses)- Basic Refuse**

Number of businesses as per Draft Valuation Roll = 4

Tariff increase in Rand amount= R 32.89

Calculation

$4 \times R\ 32.89 = R\ 131.56$

- **Glaudina (Businesses)-Basic Refuse**

Number of businesses as per Draft Valuation Roll = 6

Tariff increase in Rand amount = R 32.89

Calculation

$6 \times R\ 32.89 = R\ 197.34$

OPERATIONAL REPAIRS AND MAINTENANCE

Repairs and Maintenance	8										
Employee related costs											
Other materials								8 672	9 111	9 603	
Contracted Services											
Other Expenditure		3 388	2 119	6 363	2 237	2 639					
Total Repairs and Maintenance Expenditure	9	3 388	2 119	6 363	2 237	2 639	–	–	8 672	9 111	9 603

During the compilation of the draft 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Mamusa Local municipality's infrastructure and historic deferred maintenance. The total repairs and maintenance expenditure for the past 8 months divided by 8 month to get the projection or full year forecast. Where that full year forecast is multiplied by the National Treasury guideline or circular 70's proposed percentage increase of 5.4 %. The repairs and maintenance is 6% and 6.3% of the total Operating expenditure and PPE respectively. Please note that the PPE is also being verified for proper and realistic calculations which will be factored in the final budget. This amount of R 8 672 million will be spent on the repairs of infrastructure assets i.e. electricity, water treatment plant and roads.

Free Basic Services

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mamusa Local Municipality's Indigent Policy. The target is to register 10 000 or more indigent households during the 2014/15 financial year, a process reviewed annually.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act and also the district allocation.

BUDGET SUMMARY

Draft Budget Tables – Mamusa Local Municipality

The following budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 Draft budget and MTREF as proposed by the Council. The tables are accompanied by explanatory notes.

Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a Draft budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts proposed by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

- Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. In addition, the municipality continues to make progress in addressing service delivery backlogs.

NW393 Mamusa - Table A1 Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
Financial Performance										
Property rates	5,744	6,201	7,127	4,833	4,833	4,833	–	11,032	11,627	12,255
Service charges	33,573	42,320	47,480	50,061	50,061	50,061	–	60,557	63,827	67,273
Investment revenue	7,266	9,557	12,886	179	179	221	–	604	637	671
Transfers recognised - operational	36,184	37,327	52,527	68,741	68,741	68,741	–	52,282	46,053	46,808
Other own revenue	3,761	3,073	18,665	10,602	14,599	9,019	–	25,800	27,193	28,662
Total Revenue (excluding capital transfers and contributions)	86,527	98,477	138,685	134,416	138,413	132,875	–	150,275	149,337	155,670
Employee costs	28,354	27,390	40,806	44,460	54,377	54,377	–	68,912	73,322	78,015
Remuneration of councillors	2,432	3,106	3,460	4,549	7,276	7,276	7,276	7,771	8,191	8,633
Depreciation & asset impairment	969	691	852	771	771	771	–	900	950	1,001
Finance charges	159	132	–	689	689	689	689	571	602	635
Materials and bulk purchases	18,953	16,371	29,812	34,319	34,319	34,319	8,212	34,875	36,860	38,989
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	10,054	12,254	109,964	40,684	48,491	33,564	24,065	60,297	56,687	58,086
Total Expenditure	60,921	59,944	184,894	125,470	145,923	130,996	40,242	173,327	176,613	185,359
Surplus/(Deficit)	25,606	38,533	(46,210)	8,946	(7,509)	1,879	(40,242)	(23,052)	(27,276)	(29,690)
Transfers recognised - capital	–	–	16,739	15,892	–	–	–	14,991	15,413	15,916
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	25,606	38,533	(29,471)	24,838	(7,509)	1,879	(40,242)	(8,061)	(11,863)	(13,774)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	25,606	38,533	(29,471)	24,838	(7,509)	1,879	(40,242)	(8,061)	(11,863)	(13,774)
Capital expenditure & funds sources										
Capital expenditure	16,284	21,341	19,864	36,622	36,622	36,622	–	16,066	16,794	17,216
Transfers recognised - capital	10,960	8,112	19,009	67,341	44,929	44,929	–	14,991	15,991	16,424
Public contributions & donations	–	13,229	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	5,323	–	855	–	–	–	–	1,075	803	492
Total sources of capital funds	16,283	21,341	19,864	67,341	44,929	44,929	–	16,066	16,794	16,916
Financial position										
Total current assets	33,038	52,304	28,867	52,800	52,800	56,635	–	36,936	19,180	37,415
Total non current assets	90,661	111,311	107,939	124,627	124,627	124,627	–	139,515	146,791	899
Total current liabilities	52,458	52,205	38,521	13,311	13,311	13,311	–	21,178	19,221	17,266
Total non current liabilities	10,335	11,114	12,553	13,231	13,231	13,231	–	13,945	14,699	15,492
Community wealth/Equity	60,905	99,437	78,216	–	–	–	–	–	–	–
Cash flows										
Net cash from (used) operating	16,814	18,738	13,241	4,770	17,618	17,618	–	(12,344)	(2,557)	(2,695)
Net cash from (used) investing	(16,284)	(9,648)	(21,091)	(5,851)	(25,953)	(12,378)	–	2,472	6,523	5,618
Net cash from (used) financing	(121)	(57)	–	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	741	9,775	1,925	847	(6,406)	7,169	1,929	(8,325)	(4,359)	(1,437)
Cash backing/surplus reconciliation										
Cash and investments available	741	2,511	1,983	(2,000)	(2,000)	1,835	–	3,148	3,372	3,607
Application of cash and investments	16,791	18,689	23,779	(31,176)	(28,776)	(31,760)	–	(2,033)	6,930	(6,189)
Balance - surplus (shortfall)	(16,050)	(16,179)	(21,796)	29,176	26,776	33,595	–	5,181	(3,558)	9,796
Asset management										
Asset register summary (WDV)	90,661	81,562	101,801	124,628	124,626	124,806	139,515	139,515	142,485	149,295
Depreciation & asset impairment	969	691	852	771	771	771	900	900	950	1,001
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	3,388	2,119	6,363	8,212	8,212	8,212	8,672	8,672	9,111	9,603
Free services										
Cost of Free Basic Services provided	19,705	21,060	21,892	23,308	23,308	23,308	24,760	24,760	26,097	27,507
Revenue cost of free services provided	–	–	–	2,475	2,475	2,475	2,609	2,609	2,750	2,898
Households below minimum service level										
Water:	1	1	1	1	0	0	0	0	0	0
Sanitation/sewage:	2	2	1	1	1	1	1	1	1	1
Energy:	–	–	–	–	–	–	0	0	0	0
Refuse:	7	7	6	6	6	6	5	5	5	5

BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

- Total revenue is R 150 275 million 2014/15 and escalates to R 155 670 million 2016/17. This represents a year-on-year decrease 0.6 per cent for the 2014/15 financial year and a year-on-year increase of 4.2 per cent for the 2016/17 financial year.
- Revenue to be generated from property rates is R 11 032 million in the 2014/15 financial year and increases to R 12 255 by 2016/17 which represents 5 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality.
- Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R 60 420 million for the 2014/15 financial year and increasing to R 67 121 by 2016/17. For the 2014/15 financial year services charges amount to 40 per cent of the total revenue base. This growth can mainly be attributed to the increase in the bulk prices of electricity.
- Total operating expenditure is R 173 327 million 2014/2015 and escalates to R 176 613 million 2015/2016. This represents a year on year increase of 1.8 per cent for the 2014/15 financial year and year on year increase of 5 per cent for the 2016/17 financial year.
- Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
- Transfers and grants was also omitted but will be factored in on the final budget

NW393 Mamusa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Revenue By Source											
Property rates	2	5 744	6 201	7 127	4 833	4 833	4 833	–	11 032	11 627	12 255
Property rates - penalties & collection charges											
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Service charges - sanitation revenue	2	6 548	7 996	8 848	6 803	6 803	6 803	–	9 326	9 830	10 361
Service charges - refuse revenue	2	4 410	4 904	5 251	5 374	5 374	5 374	–	5 805	6 119	6 449
Service charges - other		–	–	–	129	129	129	–	137	144	152
Rental of facilities and equipment		385	383	–	527	527	277	–	3 097	3 264	3 440
Interest earned - external investments		7 266	9 557	12 886	179	179	221	–	604	637	671
Interest earned - outstanding debtors		–	–	12 314	7 344	7 344	1 511	–	8 644	9 111	9 603
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		8	–	13	781	781	781	–	824	869	916
Licences and permits		2 225	2 559	2 361	530	1 012	1 047	–	1 117	1 178	1 241
Agency services		41	–	72	1 070	1 070	1 249	–	2 000	2 108	2 222
Transfers recognised - operational		36 184	37 327	52 527	68 741	68 741	68 741	–	52 282	46 053	46 808
Other revenue	2	1 102	131	3 905	351	3 865	4 154	–	10 118	10 664	11 240
Gains on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		86 527	98 477	138 685	134 416	138 413	132 875	–	150 275	149 337	155 670
Expenditure By Type											
Employee related costs	2	28 354	27 390	40 806	44 460	54 377	54 377	–	68 912	73 322	78 015
Remuneration of councillors		2 432	3 106	3 460	4 549	7 276	7 276	7 276	7 771	8 191	8 633
Debt impairment	3	2 654	2 353	89 639	24 065	24 065	24 065	24 065	32 444	30 782	30 782
Depreciation & asset impairment	2	969	691	852	771	771	771	–	900	950	1 001
Finance charges		159	132	–	689	689	689	689	571	602	635
Bulk purchases	2	15 566	14 252	23 449	26 107	26 107	26 107	–	26 203	27 749	29 387
Other materials	8	3 388	2 119	6 363	8 212	8 212	8 212	8 212	8 672	9 111	9 603
Contracted services		425	1 022	853	6 196	–	–	–	9 448	6 507	6 858
Transfers and grants		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	6 975	8 879	19 472	10 423	24 426	9 499	–	18 405	19 399	20 446
Loss on disposal of PPE											
Total Expenditure		60 921	59 944	184 894	125 470	145 923	130 996	40 242	173 327	176 613	185 359
Surplus/(Deficit)		25 606	38 533	(46 210)	8 946	(7 509)	1 879	(40 242)	(23 052)	(27 276)	(29 690)
Transfers recognised - capital				16 739	15 892				14 991	15 413	15 916
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		25 606	38 533	(29 471)	24 838	(7 509)	1 879	(40 242)	(8 061)	(11 863)	(13 774)
Taxation											
Surplus/(Deficit) after taxation		25 606	38 533	(29 471)	24 838	(7 509)	1 879	(40 242)	(8 061)	(11 863)	(13 774)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		25 606	38 533	(29 471)	24 838	(7 509)	1 879	(40 242)	(8 061)	(11 863)	(13 774)
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		25 606	38 533	(29 471)	24 838	(7 509)	1 879	(40 242)	(8 061)	(11 863)	(13 774)

BUDGETED CAPITAL EXPENDITURE

Explanatory notes to Table A5 – Capital expenditure

The total capital expenditure is R16 066m. of which R14 991m is mainly MIG projects. The other R1 075m is internally generated funds. The main assets from the internally generated funds is pool cars,laptops, and other office equipments which are essential for the day to day operations of the institution.This assets will also save us costs.There are no renewal of assets.

It must also be noted that the municipality has from year to year been able to spend all their capital grants.

Capital Expenditure - Standard											
Governance and administration		77	21,341	855	542	542	542	–	320	337	300
Executive and council					–	–	–				
Budget and treasury office					542	542	542				
Corporate services		77	21,341	855					320	337	300
Community and public safety		–	–	–	6,780	6,780	6,780	–	9,155	9,955	10,056
Community and social services					3,000	3,000	3,000		255		
Sport and recreation					1,500	1,500	1,500		8,900	9,955	10,056
Public safety					2,280	2,280	2,280		–		
Housing											
Health											
Economic and environmental services		–	–	19,009	17,500	17,500	17,500	–	5,651	6,036	6,368
Planning and development					4,300	4,300	4,300				
Road transport				19,009	13,200	13,200	13,200		5,651	6,036	6,368
Environmental protection											
Trading services		16,207	–	–	11,800	11,800	11,800	–	940	466	492
Electricity					2,000	2,000	2,000		440	466	492
Water					1,800	1,800	1,800		500		
Waste water management		16,207			8,000	8,000	8,000				
Waste management											
Other											
Total Capital Expenditure - Standard	3	16,284	21,341	19,864	36,622	36,622	36,622	–	16,066	16,794	17,216
Funded by:											
National Government		10,960	8,112	19,009	34,309	34,309	34,309		14,991	15,991	16,424
Provincial Government					3,540	3,540	3,540				
District Municipality					13,600	3,540	3,540				
Other transfers and grants					15,892	3,540	3,540				
Transfers recognised - capital	4	10,960	8,112	19,009	67,341	44,929	44,929	–	14,991	15,991	16,424
Public contributions & donations	5		13,229								
Borrowing	6										
Internally generated funds		5,323		855					1,075	803	492
Total Capital Funding	7	16,283	21,341	19,864	67,341	44,929	44,929	–	16,066	16,794	16,916

ASSET MANAGEMENT

Explanatory notes to Table A9 - Asset Management

- Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class. The total repairs and maintenance is R8 672m which is about 6.3% of total asset register.

NW393 Mamusa - Table A9 Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	16,283	21,341	19,864	36,622	13,000	–	16,066	16,794	17,216
Infrastructure - Road transport		–	–	19,009	13,000	13,000	–	5,651	6,036	6,368
Infrastructure - Electricity		–	–	–	349	–	–	440	466	492
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		16,207	–	–	8,000	–	–	–	–	–
Infrastructure		16,207	–	19,009	21,349	13,000	–	6,091	6,502	6,860
Community		–	–	–	4,000	–	–	8,900	9,955	10,056
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	76	21,341	855	11,273	–	–	1,075	337	300
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<u>Total Renewal of Existing Assets</u>										
Infrastructure - Road transport	2	–	–	–	–	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		–	–	–	–	–	–	–	–	–
Community		–	–	–	–	–	–	–	–	–
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	–	–	–	–	–	–	–	–	–
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
<u>Total Capital Expenditure</u>										
Infrastructure - Road transport	4	–	–	19,009	13,000	13,000	–	5,651	6,036	6,368
Infrastructure - Electricity		–	–	–	349	–	–	440	466	492
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		16,207	–	–	8,000	–	–	–	–	–
Infrastructure		16,207	–	19,009	21,349	13,000	–	6,091	6,502	6,860
Community		–	–	–	4,000	–	–	8,900	9,955	10,056
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6	76	21,341	855	11,273	–	–	1,075	337	300
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	–	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	16,283	21,341	19,864	36,622	13,000	–	16,066	16,794	17,216
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	352	313	301	12,501	12,501	12,501	18,152	24,188	30,557
Infrastructure - Electricity		–	–	–	2,000	2,000	2,000	2,440	2,906	3,398
Infrastructure - Water		–	–	–	1,800	1,800	1,800	2,300	2,300	2,300
Infrastructure - Sanitation		–	–	–	8,000	8,000	8,000	8,000	8,000	8,000
Infrastructure - Other		87,448	79,437	98,446	96,742	96,742	96,742	104,296	104,296	104,296
Infrastructure		87,800	79,750	98,748	121,044	121,043	121,043	135,188	141,690	148,550
Community										
Heritage assets										
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		2,861	1,811	2,030	2,572	2,572	2,752	3,327		
Agricultural Assets		–	–	–	–	–	–	–	–	–
Biological assets		–	–	–	–	–	–	–	–	–
Intangibles		–	–	1,023	1,011	1,011	1,011	999	795	745
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	90,661	81,562	101,801	124,628	124,626	124,806	139,515	142,485	149,295
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>	3	969	691	852	771	771	771	900	950	1,001
<u>Repairs and Maintenance by Asset Class</u>		3,388	2,119	6,363	8,212	8,212	8,212	8,672	9,111	9,603
Infrastructure - Road transport		1,343	845	1,413	3,695	3,695	3,695	4,282	4,513	4,757
Infrastructure - Electricity		320	273	596	821	821	821	856	902	1,544
Infrastructure - Water		304	236	485	657	657	657	702	740	–
Infrastructure - Sanitation		–	–	–	–	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure		1,967	1,354	2,494	5,173	5,173	5,173	5,840	6,155	6,301
Community		74	98	753	985	985	985	1,002	1,057	1,114
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets	6, 7	1,347	667	3,116	2,053	2,053	2,053	1,829	1,899	2,189
TOTAL EXPENDITURE OTHER ITEMS		4,357	2,809	7,215	8,983	8,983	8,983	9,572	10,062	10,604
Renewal of Existing Assets as % of total capex		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE		3.7%	1.9%	6.0%	6.6%	6.6%	6.6%	6.3%	6.2%	6240.8%
Renewal and R&M as a % of PPE		4.0%	3.0%	6.0%	7.0%	7.0%	7.0%	6.0%	6.0%	6.0%

COUNCILLOR AND EMPLOYEES BENEFITS

Council remuneration for councillors will be determined before final adoption to include current year expenditure which was not paid this financial year. Remuneration for councillors is at R 7 771m for the financial year 2014/15 which shows there is an increase by 6.4%. Increase for senior managers and municipal officials stand at R 5 054m and R 63 857m. The increase is due to filling of vacant posts as previous financial years showed that the department was operating at staffs that mostly were interns and finance is regulated and other officials don't meet the minimum competency requirements as gazetted hence there is a huge increase in personnel.

NW393 Mamusa - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		1 365	1 744	2 015	4 549	2 945		3 886	4 134	4 399
Pension and UIF Contributions		260	350	278	–	646		699	744	792
Medical Aid Contributions				74	–	330		389	413	440
Motor Vehicle Allowance				460	–	958		933	992	1 056
Cellphone Allowance				186	–	793		855	910	968
Housing Allowances				417	–	691		389	413	440
Other benefits and allowances		807	1 011	31	–	913		622	661	704
Sub Total - Councillors		2 432	3 106	3 460	4 549	7 276	–	7 771	8 269	8 798
% increase	4		27.7%	11.4%	31.5%	60.0%	(100.0%)	–	6.4%	6.4%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1 031	1 312	1 679	2 789	2 789		3 112	3 311	3 523
Pension and UIF Contributions								–	–	–
Medical Aid Contributions								–	–	–
Overtime								–	–	–
Performance Bonus								597	636	676
Motor Vehicle Allowance	3	246	293					–	–	–
Cellphone Allowance	3	4	10					–	–	–
Housing Allowances	3	402	567					–	–	–
Other benefits and allowances	3	72	71	1 815	2 064	2 248		1 345	1 431	1 523
Payments in lieu of leave								–	–	–
Long service awards								–	–	–
Post-retirement benefit obligations	6							–	–	–
Sub Total - Senior Managers of Municipality		1 756	2 253	3 494	4 853	5 037	–	5 054	5 378	5 722
% increase	4		28.3%	55.1%	38.9%	3.8%	(100.0%)	–	6.4%	6.4%
Other Municipal Staff										
Basic Salaries and Wages		14 449	15 039	18 804	31 331	31 379		36 425	38 756	41 236
Pension and UIF Contributions		3 072	3 198	3 766	4 198	4 317		4 027	4 285	4 559
Medical Aid Contributions		2 500	2 692	2 480	2 089	2 232		2 118	2 253	2 397
Overtime		2 742	2 954	3 439	3 050	3 101		2 252	2 396	2 550
Performance Bonus		1 082	1 118	1 406	1 263	1 539		15 007	15 967	16 989
Motor Vehicle Allowance	3	1 314	1 516	2 141	1 712	2 691		–	–	–
Cellphone Allowance	3				133	135		128	136	145
Housing Allowances	3	596	761	1 014	859	1 094		375	399	425
Other benefits and allowances	3	2 410	(156)	666	(176)	383		3 011	3 203	3 408
Payments in lieu of leave					–	–		–	–	–
Long service awards		188	268	138	–	151		515	548	583
Post-retirement benefit obligations	6				–	–		–	–	–
Sub Total - Other Municipal Staff		28 354	27 390	33 852	44 460	47 022	–	63 857	67 944	72 292
% increase	4		(3.4%)	23.6%	31.3%	5.8%	(100.0%)	–	6.4%	6.4%
Total Parent Municipality		32 542	32 749	40 806	53 862	59 335	–	76 683	81 590	86 812
			0.6%	24.6%	32.0%	10.2%	(100.0%)	–	6.4%	6.4%

NW393 Mamusa - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		1 365	1 744	2 015	4 549	2 945		3 886	4 134	4 399
Pension and UIF Contributions		260	350	278	-	646		699	744	792
Medical Aid Contributions				74	-	330		389	413	440
Motor Vehicle Allowance				460	-	958		933	992	1 056
Cellphone Allowance				186	-	793		855	910	968
Housing Allowances				417	-	691		389	413	440
Other benefits and allowances		807	1 011	31	-	913		622	661	704
Sub Total - Councillors		2 432	3 106	3 460	4 549	7 276	-	7 771	8 269	8 798
% increase	4		27.7%	11.4%	31.5%	60.0%	(100.0%)	-	6.4%	6.4%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1 031	1 312	1 679	2 789	2 789		3 112	3 311	3 523
Pension and UIF Contributions								-	-	-
Medical Aid Contributions								-	-	-
Overtime								-	-	-
Performance Bonus								597	636	676
Motor Vehicle Allowance	3	246	293					-	-	-
Cellphone Allowance	3	4	10					-	-	-
Housing Allowances	3	402	567					-	-	-
Other benefits and allowances	3	72	71	1 815	2 064	2 248		1 345	1 431	1 523
Payments in lieu of leave								-	-	-
Long service awards								-	-	-
Post-retirement benefit obligations	6							-	-	-
Sub Total - Senior Managers of Municipality		1 756	2 253	3 494	4 853	5 037	-	5 054	5 378	5 722
% increase	4		28.3%	55.1%	38.9%	3.8%	(100.0%)	-	6.4%	6.4%
Other Municipal Staff										
Basic Salaries and Wages		14 449	15 039	18 804	31 331	31 379		36 425	38 756	41 236
Pension and UIF Contributions		3 072	3 198	3 766	4 198	4 317		4 027	4 285	4 559
Medical Aid Contributions		2 500	2 692	2 480	2 089	2 232		2 118	2 253	2 397
Overtime		2 742	2 954	3 439	3 050	3 101		2 252	2 396	2 550
Performance Bonus		1 082	1 118	1 406	1 263	1 539		15 007	15 967	16 989
Motor Vehicle Allowance	3	1 314	1 516	2 141	1 712	2 691			-	-
Cellphone Allowance	3				133	135		128	136	145
Housing Allowances	3	596	761	1 014	859	1 094		375	399	425
Other benefits and allowances	3	2 410	(156)	666	(176)	383		3 011	3 203	3 408
Payments in lieu of leave					-	-			-	-
Long service awards		188	268	138	-	151		515	548	583
Post-retirement benefit obligations	6				-	-			-	-
Sub Total - Other Municipal Staff		28 354	27 390	33 852	44 460	47 022	-	63 857	67 944	72 292
% increase	4		(3.4%)	23.6%	31.3%	5.8%	(100.0%)	-	6.4%	6.4%
Total Parent Municipality		32 542	32 749	40 806	53 862	59 335	-	76 683	81 590	86 812
			0.6%	24.6%	32.0%	10.2%	(100.0%)	-	6.4%	6.4%

Conclusion.

It must be noted with great concern that the budget of the municipality shows a surplus of R10 292m after exclusion of the debt impairment and depreciation. This is not necessarily the projected cash inflow or profit of the municipality. The revenue includes billing on service charges which is not 100% collectable. The average collection rate is at 46%.

Taking into account the collection problems of the municipality the budget will not be entirely funded. The following collection rates were used for calculation of actual collection against billing:

Electricity	85%
Water	40%
Sanitation	30%
Refuse	25%
Property rates	50%

The following table reflects the billing v/s actual collection

SERVICES	BILLING	COLLECTION RATE	ACTUAL
Property rates	R11 032M	50%	R5 516m
Electricity	R32 420M	85%	R27 236m
Water	R12 868M	40%	R5 147m
Sanitation	R9 326M	30%	R2 798m
Refuse	R5 805M	25%	R1 451m
TOTAL	R71 451M	46%	R37 001M

The surplus of **R10 292m** subtract **R34 450** (DOUBTFULL COLLECTION) is a deficit of **R24 158**. The municipality has short term investments of about R3.8m which are already committed.

- a. After consideration of the deficit the municipality has put in certain measures to curb excessive expenditure:
 - Expenditure on Travelling and accommodation to be reduced by at least 35% from the previous year.
 - Price inflation to be curbed through a standard procurement pricing model
 - Thorough resuscitation of internal debt collection unit
 - Catering measures already in place
 - Purchase of municipal pool car to curb excessive individual travelling
 - Quarterly review of expenditure
 - Monitoring and auditing of electricity meter consumption especially by indigents

- Overtime measures (policy) to be put in place to reduce expenditure by at least 30%

b. Other control measures in place

- Filling of strategic vacant posts
- Full implementation of policies that put controls in place
- Proper monitoring and reporting in place
- Resuscitation of IGR's
- Internal monthly committee meetings
- Consistence financing of our long term creditors e.g ESKOM

1. It is therefore noted that the budget was prepared in the most realistical manner taking into account the current economic situation of the municipality and the fundamental culture of non-payment of services. The projections were done considering the expenditures and incomes as at month eight.
2. The budget is again deemed unfunded, with measures put in place to curb the deficit. However if some of the expenditure items are not met then the deficit might be funded. The mid-term performance and quarterly financial review will therefore provide us with direction in terms progress.